



STATE OF NEW YORK  
DEPARTMENT OF INSURANCE  
OFFICE OF THE COMMISSIONER  
ALBANY, NEW YORK

October 24, 1995  
Directive Number 132

**Reporting requirements for  
Vehicle Mechanical Breakdown Insurers**

It has come to my attention that some vehicle mechanical breakdown insurers are either not adequately reserving as required by law, or are not reporting properly.

Pursuant to LRS 22:1805 and Section 7(A) of Rule No. 6 of the Department of Insurance, each mechanical breakdown insurer operating in this state shall submit to the Commissioner an annual report which clearly states the method being used to reserve for future losses and the amount in the reserve for future losses. Section 6(A) of Rule No. 6 sets forth the requirements for maintaining reserves, as follows:

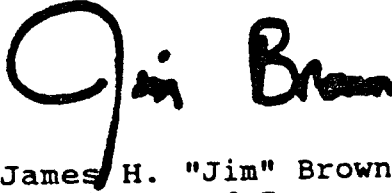
- "1. The reserve to be maintained on policies issued covering new vehicles shall be one which generates an unearned premium reserve of not less than the unearned premium reserve which is generated by applying the reverse sum of the digits earnings method to each policy issued covering a new vehicle.
2. The reserve to be maintained on policies issued on used vehicles shall be a reserve of not less than the unearned premium reserve which is generated when the "straight line" or pro-rated earnings method is applied to each policy issued on a used vehicle."

Where a vehicle mechanical breakdown insurer cedes a portion or all of its unearned premium liability to a reinsurer, the cedent shall maintain the entire unearned premium liability on its books but shall be allowed to post as an asset any recoverable due from the reinsurer.

Hereafter, all audited financial reports shall be due on or before March 15 of each year pursuant to LRS 22:1805 and Section 8 of Rule No. 6.

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Penalty for non-compliance with this directive may result in the suspension, revocation, or non-renewal of the certificate of authority of any vehicle mechanical breakdown insurer.

A handwritten signature in black ink that reads "Jim Brown". The "J" is large and loops around the "i", and "Brown" is written in a cursive style.

James H. "Jim" Brown  
Commissioner of Insurance